

Eye on Southeast Europe



The Housing Market in Southeast Europe, Part I

Background

Until the 1990s, the housing sector in Southeast Europe was largely controlled by the state. Government institutions, organizations, and building enterprises played key roles in planning and executing all housing projects. The market did not govern the distribution of apartments. As a result, blocks of apartments offering low standards of living became the norm; urban development and environmental considerations were neglected. Consequently, a chronic shortage of housing developed, with many people lacking housing or living in poor conditions, many of which still exist today.

Over the last decade, mass privatization has also had a significant effect on the housing sector in Southeast Europe and caused a critical deterioration of already low-standard housing, especially in multi-unit buildings. A lack of means to maintain housing, insufficient public housing, and limited access to finance are some of the constraints the Southeastern European countries face. These problems have only been compounded by internal conflicts in the 1990s, which left a huge number of refugees and displaced persons and inflicted serious damage on housing units and infrastructure.

Previously, housing issues were not a policy priority for governments in Southeast Europe. However, this has been changing as governments throughout the region have begun formulating comprehensive policies and creating programs to address the most urgent issues. Furthermore, economic growth has also created greater demand in the housing market through rising incomes.

Croatia

The Croatian government is trying to address housing demand by implementing reconstruction programs and housing incentives. For 2003, the Croatian government, under the auspices of its reconstruction program, plans to rebuild 8,000 housing units and provide housing for 24,000 people. Together this will cost approximately \$170 million, with the state providing 93 percent of the funding and international organizations the remaining 7 percent. However, there are approximately 30,000 requests for reconstruction that the Croatian government has yet to address. Meanwhile, the rate of refugee return is increasing, indicating that demand for housing in Croatia will remain high.

A second way in which the Croatian government is addressing the high housing demand is through the Publicly Funded Housing Construction Act. The act is a housing incentive aimed at promoting housing and urban development, expanding affordable housing, and

improving housing construction. Since the passage of this legislation in December 2001, 4,717 apartments have been built or are currently under construction. Local and national governments, buyers, and capital markets provide funding. All costs are covered, and the buyers are obligated to repay the banks and Croatian government through installments over a 31-year period, making housing very affordable for the average citizen.

Romania

In Romania, the government has made the housing sector a top policy priority. The government has designated the Ministry of Public Works, Transportation, and Housing as the main entity in charge of developing the sector and has formulated specific objectives for it to fulfill. One objective is to improve existing housing. First, multi-story houses that have been classified as "first-class earthquake risk" will be stabilized and improved. This includes a total of 115 apartment buildings and important public buildings such as schools and hospitals. A second program aims at increasing efficiency in Romania's energy sector through rehabilitating buildings. The government has targeted 85,000 buildings, or approximately 980,000 apartments, for work under this program between 2002 and 2015. Funds for both of these programs come from various sources, including the national government, individual homeowners, and multilateral and bilateral donors.

Another objective of the Romanian government's program is the construction of residential areas, thereby facilitating the growth of owner-occupied, Western European-standard housing. The National Housing Agency oversees this program by helping with financial arrangements and managing the financial resources for the construction, purchase, rehabilitation, consolidation, and extension of residential units. Financing for the new residential units comes from long-term, low minimum down payment mortgage credits and other benefits (like exemption from land and property taxes during the terms of the mortgage). There have been 80,000 requests for participation in this program.

Sources:

Regional: www.croatia21.hr/download/200105310000008.pdf, and www.unece.org/env/hs/workshop/sochoupapers/2ceb.pdf.

Croatia: *Housing in Croatia: Efforts and Results* (Ministry of Public Works, Reconstruction, and Construction).

Romania: www.unece.org/env/hs/cph/romania/romania_roundtable_report_final.pdf.

